The Workers' Compensation Board - Alberta
Annual Report
1991

92-07300/

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MISSION STATEMENT

To serve workers and employers by reducing injuries, compensating workers while disabled and rehabilitating to re-employment or self-sufficiency.

THE YEAR AT A GLANCE

1991

Number of claims reported	55,162
Reopened claims	8,675
Disallowed claims	9,005
Disability awards	3,578
Fatalities accepted	86
Full funded claim costs (in millions)	$361.5
New claim appeals	2,260
Registered employers	60,399
Industry accounts	64,617
Assessment revenue (in millions)	$418.0
Average actual assessment rate	$1.85
Unfunded liability (in millions)	$601.2

THE WORKERS' COMPENSATION BOARD
ALBERTA

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VERN MILLARD
CHAIRMAN of the
BOARD OF DIRECTORS

The Lieutenant Governor in Council
Province of Alberta
Edmonton, Alberta

Your Honor,

In accordance with Section 87, Subsection (2) of the Workers' Compensation Act, The Workers' Compensation Board is pleased to present its annual report for the year ended December 31, 1991.

Yours sincerely,

Vern Millard
Chairman of the Board of Directors

Kenneth C. Pals
President and Chief Executive Officer

BOARD OF DIRECTORS

Vern Millard
Chairman of the
Board of Directors [1,3]

Kenneth C. Pals
President and Chief
Executive Officer [1,3]

Kenneth Albrecht [1,2]

John Booth [2,3]

J. Leonard O'Toole [1,2]

Betty L. Screpnek [3,4]

Harold Taylor [3,4]

Thomas E. Whiting [4]

EXECUTIVE COMMITTEE

Left to right: William McDonald (Vice President, Corporate Resources), Ian Sinclair (Vice President and Chief Operating Officer), Kenneth C. Pals (President and Chief Executive Officer), Debbie Manz (Vice President, Corporate Development), J. Douglas Carr (Vice President, Secretary & General Counsel).

Brad Ellingson [1,5]

Dr. Charles V. Godberson [2,4]

J.G. (Jack) Williams [3,5]

1. Audit Committee
2. Claimant Case Review Committee
3. Employer Case or Assessment Issue Review Committee
4. Human Resources Committee
5. Investment Committee

DEPARTMENT HEADS

Actuarial & Statistical Services
K. Joseph Leung

Administrative Services
Ken Babich

Appeals Advisory Service
Phil Dekker (Acting)

Assessment
Terry Murphy

Assessment Review Committee
Ken Ogston

Claims
Robert MacArthur

Claims Services Review Committee
Maurice Boonstra

Client Services
Ed Allen

Computer Services
Ron Wright

Controller & Financial Planning Services
Ron Grainger

Government Relations & Assistant Corporate Secretary
Doug Murray

Human Resources
Bob Grose

Information Systems Planning & Administration
Frank Carr

Internal Audit
Ken Orr

Legal Services
Pat Yearwood

Medical
Dr. John Cowell

Operations System Support
Kellie Marchak

Policy, Planning & Development
Michael Plumb

Public Affairs
Wayne Antler

Regional Offices
Don Dinnie

Rehabilitation Centre
Dr. Brian Boon (Acting)

Treasury & Fund Management Services
F. Bruce Allen

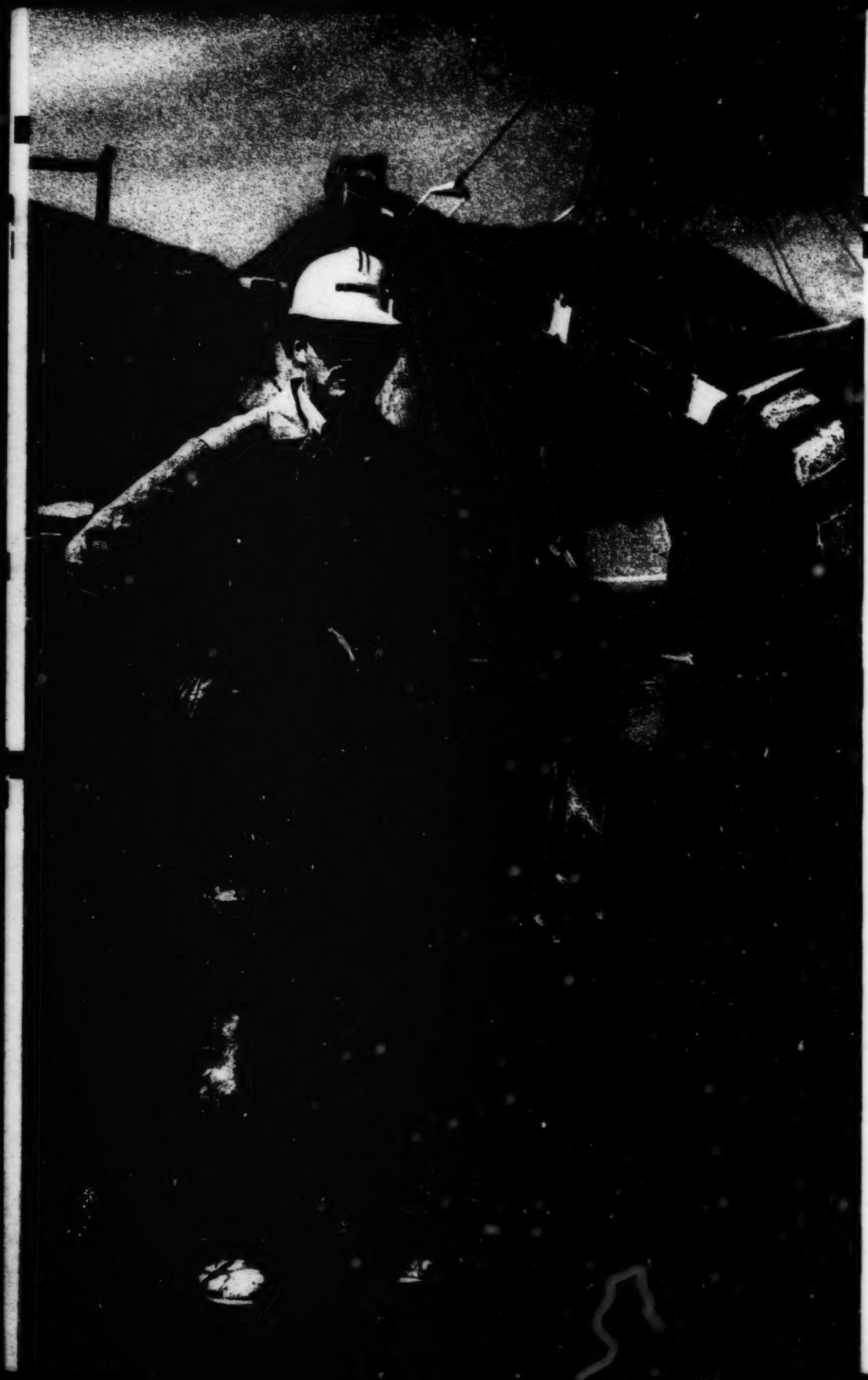
Vocational Rehabilitation
John Quince

Work Injury Reduction Program
Wally Baer

"My attitude toward injury prevention is the same as BURNCO's, the WCB, and Occupational Health and Safety. It's number one on the job site. Because BURNCO is committed to a safe workplace, the employees here benefit on and off the job. It's achieved a lot in reducing lost time accidents; and it's made us, the workers, practise safety at work and off the job."

Robert Hood
Plant Operator
BURNCO

BURNCO Rock Products Ltd. is committed to protecting its employees and property by providing and maintaining a safe and healthful work environment. BURNCO's objective, similar to the WCB's injury reduction initiative, is to eliminate accidents at the work site by clearly defining safe work practices and procedures. This ambitious goal will be realized through the interaction of management and labor where both groups shoulder the responsibility. Although BURNCO has seen very positive results, its safety program is not static. BURNCO continues to develop, implement and evaluate this most important facet of its business.



JOINT ENDEAVOR MAKES SIGNIFICANT GAINS

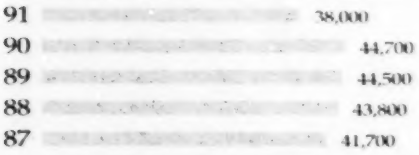
REDUCING INJURIES IN THE WORKPLACE

The Workers' Compensation Board is engaged in a long-term campaign with labor, industry and AOHS to ease the human and financial costs of workplace injuries. To succeed in this campaign we must reduce the number of injuries. The three figures on this page graphically explain the challenge, and show that progress is being made.

Figures 1 and 2 present part of the human cost. The five-year comparison in Figure 1 is concerned with lost-time claims; that is, claims for injuries which cause the loss of at least one day's work. In 1991, they totalled 38,000, a drop of 14.9 per cent from 1990.

FIGURE 1

Estimated Lost-Time Claims: 1987 - 1991



A lost-time claim is defined as one in which the worker is on compensation for one or more days subsequent to the date of the accident.

FIGURE 2

Estimated Lost-Time Claim Rate per 100 Workers Covered: 1987 - 1991

The lost-time claim rate is calculated by dividing the estimated number of lost-time claims by the person-years estimate and multiplying by 100. In 1991, the methodology for estimating person-years was revised and, therefore, statistics for previous years have been adjusted.

Nonetheless, this still represents an average of more than 100 lost-time injuries every day of the year.

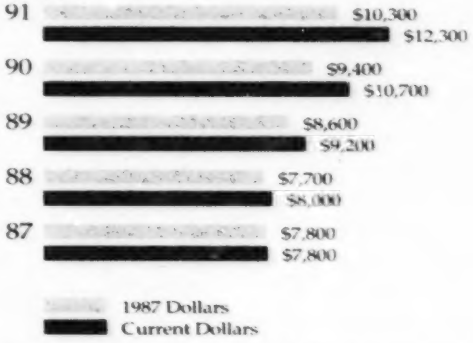
The five-year comparison in Figure 2 shows the estimated number of lost-time claims for every 100 workers covered for WCB benefits. For several years, the rate has been around 5 per 100, and the WCB's corporate objective is to reduce it to 4.3 by 1994.

In 1991 the rate was 4.2 and every effort now will be made to hold it at or around this lower level.

Figure 3 is a five-year comparison of the estimated full-funded cost per lost-time claim in current and 1987 dollars. In both cases, increases occurred from 1990 to 1991: in current dollars, up 14.9 per cent to $12,300; in 1987 dollars, up 9.6 per cent to $10,300.

FIGURE 3

Estimated Full-Funded Cost per Lost-Time Claim: 1987 - 1991



The full-funded cost per lost-time claim is calculated by dividing the estimated full-funded cost by the estimated number of lost-time claims. In 1991, the methodology for estimating the full-funded cost was revised and, therefore, statistics for previous years have been adjusted.

While the number of lost-time claims and the lost-time claim rate per 100 workers have decreased, the average cost per injury has continued to increase, partly because the reduction generally involves injuries that are less severe.

WORK INJURY REDUCTION PROGRAM

An important element in reducing workplace injuries is the Work Injury Reduction Program. This is a partnership of AOHS, employers, labor organizations and the WCB.

The program is based on the premise that injuries and claim costs can be reduced when employers improve health and safety management, and involve workers. Special premium refunds are given to employers who reduce claims and costs.

At the end of 1991, program participants numbered 298 and included many of Alberta's largest employers. As a group, these employers reduced their lost-time claims by 21.7 per cent, from 6,008 in 1990 to 4,702 in 1991. Major reductions were made by meatpackers, roadbuilders, and oil well drillers.

SUPPORT PROGRAMS

Employers may agree to fund safety associations for safety education. To the end of 1991, three associations have taken advantage of this program. Grant money is collected through special levies on the assessment rates of industries represented by the associations.

Our Rehabilitation Centre plays an important role in reducing injuries by emphasizing the prevention of re-injury in all its treatment programs.

CASE MANAGEMENT IN PLACE, WITH IMAGING SUPPORT

IMPROVING SERVICES TO WORKERS AND EMPLOYERS

The Workers' Compensation Board recorded 55,162 new claims for 1991. This was 9,341 fewer than 1990. The decrease was due in some measure to the overall campaign to reduce workplace injuries. Another factor was the drop in economic activity in the province. Yet the challenge had not changed: how to provide better service to injured workers. (Table 1 summarizes the types and numbers of all claims administered in 1991 and 1990.)

TABLE 1

Summary of Claims Administered

	1991	1990
Claims under active administration on January 1	28,184	27,583
New claims (all types) reported during year (1)	55,162	64,503
Claims reopened during year	8,675	8,311
Total administered	92,021	100,397
Claims involving compensation or pensions	45,417	51,669
Claims in which only medical aid was paid	11,496	11,460
Claims which were disallowed (2)	9,005	9,084
Subtotal of claims administered	65,918	72,213
Claims under active administration on December 31	26,103	28,184
Total administered	92,021	100,397

(1) New claims of all types include the following: pension, lost-time, medical aid, disallowed, those in which a judgement is pending.

(2) These are claims for compensation not covered under the Act, not established, or the accident was determined not to be in the course of employment.

During 1991, the WCB began working with representatives of the province's physical therapists to plan a Work Conditioning Pilot Study. Work conditioning is a goal directed, active approach to treating work injuries. Early intervention, education in managing the injuries, and active exercise programs are emphasized. The program will be tested in several physical therapy clinics during 1992.

"I think a work conditioning method of treatment is very beneficial. I like the positive nature of the program. It helped me to use the injured muscles faster than I would have been able to do otherwise. It encouraged my injured arm to work again, made me stronger more quickly and enhanced my range of motion. I would highly recommend this treatment to other persons with similar injuries."

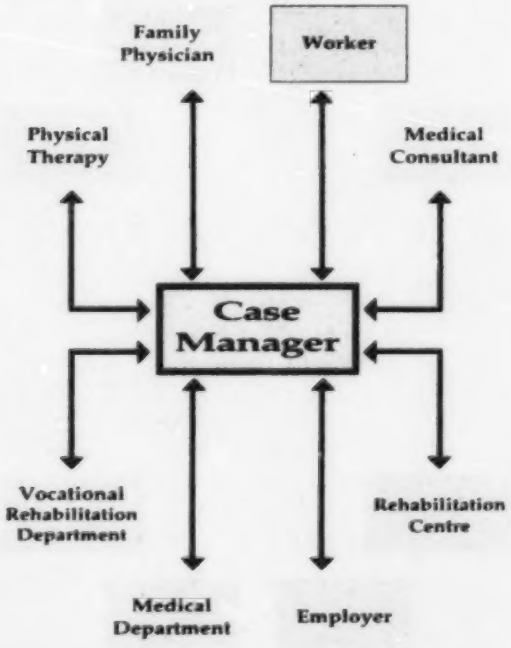
Ursula Carroll
Nurse

Two initiatives are key elements in meeting the challenge: case management and imaging technology. In 1991, both moved from pilot phases to implementation. On January 1, the case management concept and structure were introduced throughout the claims operation. On April 1, imaging technology became effective.

Case management is a concept in which WCB case managers co-ordinate delivery to injured workers of the services needed to promote faster healing and a safe return to work. They have immediate access to specialists in many disciplines, as shown in Figure 4.

FIGURE 4

Case Management at Work



Case management enables specialists to work as a team, pivoting on the case manager, to ensure timely co-ordination of treatment and compensation for injured workers.

Imaging is a state-of-the-art technology that enhances case management. Documents are scanned into a computer. They can then be imaged and viewed on a terminal screen as if they were an original document.

Imaging eliminates the restrictions of a manual, paper-driven system. Several people can access an imaged file at the same time. Decision making is no longer held up while a single paper file moves from desk to desk.

RECOVERY OF FUNDS FOR WORKERS

The WCB takes civil action in third-party situations to recover funds on behalf of the Accident Fund and injured workers.

These situations generally arise when people not covered by workers' compensation negligently injure workers who are entitled to compensation benefits.

In such cases in 1991, the WCB paid over $3 million to injured workers over and above compensation benefits paid out.

In addition, the WCB settled cases totalling about $2 million pertaining to workers suffering from asbestos-related diseases.

These settlements were made with United States manufacturers and suppliers of asbestos products shipped into Canada for use here. This amount was double that recovered in 1990.

Court actions are continuing in Texas and Pennsylvania.

CLASSIFICATIONS REDUCED FOR EMPLOYERS

Changes were made to the classification structure for assessments. Work was done to reduce the number of industries from 716 to 621, and rating units from 297 to 244.

These reductions should lead to fewer significant rate changes from year to year.

Changes to the experience rating process were also made. These adjust the spread between potential discounts and surcharges on assessments, according to the experience of companies reporting injuries and claims. The intent is to provide greater insurance to small employers and prevent significant changes in their year-to-year assessments.

Table 2 presents a five-year comparison of vital statistics that relate to assessments.

TABLE 2

Registered Employers, Industry Accounts, and Assessable Payroll: 1987 - 1991

	Registered Employers	Industry Accounts	Assessable Payroll (000s)
1991	60,399	64,617	$22,600,000
1990	61,463	65,780	$22,055,663
1989	60,460	64,853	$20,717,619
1988	59,573	63,998	$19,850,773
1987	57,605	62,344	$17,806,920

Special services were maintained for employers and some new ones were added. In particular, workshops were held to explain assessment policies, procedures and requirements.

THE APPEALS PROCESS FOR WORKERS

Approximately three-quarters of claims are settled satisfactorily between injured workers and The Workers' Compensation Board within 30 days or less. Exceptions can occur when workers are not satisfied with the original decisions made on their case.

The first level of appeal is the **Claims Services Review Committee** (CSRC). In 1991, appeals to the Committee were launched by 2,260 workers. Of these appeals, and the 511 outstanding from the previous year, 2,139 were processed.

The results are shown in Table 3.

TABLE 3

Claims Services Review Committee: a two-year comparison of activities

	1991	1990
Total Appeals		
Outstanding from previous year	* 511	418
New	2,260	2,096
Appeals Processed		
Altered	653	574
Unchanged	1,233	1,229
Withdrawn	253	188
Outstanding at end of year	643	* 511

*This figure was incorrectly reported as 523 in the 1990 annual report.

To handle their appeals, injured workers can ask for the help of an advisor from the **Appeals Advisory Service**. The advisors then act as advocates for their clients before the CSRC and the Appeals Commission. There is no charge for the service. In 1991, the number of workers using the service increased by 32 per cent over 1990, to 1,941 from 1,464.

A positive trend is that appeals advisors are being more proactive in discussing cases with case managers and adjudicators before an appeal hearing takes place. In 1990, 152 cases were settled before the appeals process was necessary. In 1991, 372 cases were resolved without going to an appeals hearing.

The Government Relations Department acts as a conduit for complaints made by injured workers and others to MLAs, other elected officials, and the Ombudsman. In 1991, the department responded to 3,873 enquiries and complaints, of which 2,480, or 64 per cent, were channeled through elected officials, 416 through the Ombudsman, and 977 through other sources. These figures are slightly below those for 1990.

THE APPEALS PROCESS FOR EMPLOYERS

The Assessment Review Committee deals with appeals by employers against their assessments. Committee activity in 1991 followed much the same pattern as in 1990. New cases totalled 133 as against 114 in 1990. Cases outstanding at the end of the year were 25 as against 34.

BETTER SERVICES, PROGRAMS, PROMOTE REHABILITATION

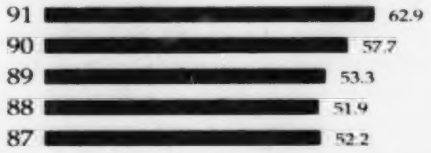
ENABLING PEOPLE TO RETURN TO WORK

A major objective of The Workers' Compensation Board is to enable the injured worker to return to work. Success can be measured by the average number of compensation days for lost-time claims. These are the days for which temporary disability payments are made to injured workers. In recent years, the number of these days has edged up. Nonetheless, the 1991 high of 62.9 is not seen as being typical (see Figure 5). This results from the complex nature of the major restructuring carried out on our claims system.

To reduce the average number of compensation days, we plan to enhance programs and efficiencies in the rehabilitation process, upgrade services and speed their delivery.

FIGURE 5

Estimated Average Temporary Disability Days per Lost-Time Claim by Occurrence Year: 1987 - 1991



This chart indicates the estimated average temporary disability days paid over the life of each lost-time claim in any given year.

REHABILITATION CENTRE

The primary focus of the Rehabilitation Centre is to help injured workers return to work, successfully and safely, through integrated programs such as physical conditioning, vocational guidance, and, if necessary, psychosocial assistance.

During 1991, admissions to the Centre totalled 1,845. On average, 269 clients a day received treatment in the Centre. The average length of stay for clients was 36.7 treatment days.

VOCATIONAL REHABILITATION

The role of the Vocational Rehabilitation Department is to help people return to work. Of the 1991 caseload of 5,628 men and women, 3,236 returned to work. This was an increase of

Edmonton Pressure Wash is pleased to support the WCB's efforts to help injured workers return to work safely. The company also tries to maintain a workplace in which there are good relationships and a positive, safe work environment where jobs can be done with efficiency and ease. Ergonomics is an important part in preventing injuries.

"The co-operation between the WCB and Edmonton Pressure Wash helped me get my adjustable work station and has made me able to do my job independently. I really appreciate the way Edmonton Pressure Wash and the WCB worked together in assessing my work station and what was needed for it. This will make my job easier and reduce the risk of re-injuring myself."

Jurgen Preisler
Pump Mechanic
Edmonton Pressure Wash

46 per cent over the previous year's total of 2,213. Of the 3,236 who returned to work, 794 returned to their accident employer. The comparative figure for 1990 was 505.

These results were achieved through the efforts of the employment counsellors, as well as through programs such as the Re-Employment And Career Help Centre, The Working Solution, and Job Clubs working within Integrated Services.

Re-Employment And Career Help Centre (REACH) opened its doors in January 1991. This storefront enterprise located near the WCB offices in downtown Edmonton offers information and guidance on career goals, the labor market, and job-search skills. During its first year, REACH's services were used by 1,893 workers.

The Working Solution is a cost-shared job placement program designed to provide financial incentives to employers to offer safe, permanent re-employment to injured workers. In 1991, the program generated 633 placements.

Job Clubs enable workers to share information and ideas. The clubs use group learning and motivational techniques to set workers on the road to a successful return to work. In 1991, placements of club members totalled 1,115, more than double the 532 in 1990.

An Ergonomics Unit became fully functional in 1991. The science of ergonomics is concerned with the relationship between people and the environment in which they work. A role of the ergonomists is to check work stations to ensure that they are safe for men and women returning to work after an injury. In 1991, 352 on-site inspections and 200 off-site consultations were held.

Ergonomists also recommend design modifications to prevent injuries occurring in the workplace.

MEDICAL DEPARTMENT

The WCB maintains a Medical Department staffed by a variety of full- and part-time medical advisors, clinical, medical and surgical specialists, and nurses. The skills of chiropractors, psychologists, physiotherapists and dentists are also available.

The department maintains close working relationships with other WCB staff to enable them to better understand medical terminology and issues.

In total, 32,343 files were reviewed and 6,799 clinical examinations were performed in 1991. Nine clinical research grants were provided, including support for the University of Alberta Residency in Occupational Health.

REGIONAL OFFICES

Helping people return to work continued as a high priority in the regional offices. The number of clients assisted grew by 35 per cent and the number re-employed increased by 44 per cent.

Improvements were made in caring for the needs of injured workers in their local areas. The goal is to provide the same level of service in the regions as can be received at the head office in Edmonton.

EXPR

In support of WCB rehabilitation efforts, Edmonton Transit (ET) employs ergonomics and rehabilitation techniques in its Modified Work Program to help its injured employees return to work sooner and avoid further injuries. The program allows injured workers to gradually return to work as soon as they are able. This aspect of the program is geared to keeping the worker in touch with the workplace and feeling part of the work force during those stages of recuperation when he or she can handle light duties. ET's Modified Work Program also stresses an improved ergonomic environment as a means of reducing and preventing workplace injuries. This approach includes installing power steering and specially adjustable "Recaro" seats in some buses. The results are expected to be fewer injuries, and workers being able to return to work faster and with lesser risk of re-injury.

"I had great service from the WCB after my injury, but I wanted to get back to work. Edmonton Transit's Modified Work Program accommodated me and helped me keep in touch with what was going on in the workplace. I am able now to adjust better to returning to work. The ergonomic changes to the buses – the adjustable seats and power steering – make it so much easier and safer to do my job. Without the work program and the changes I would have had to stay off the job longer. With these changes, I think there may be fewer injuries at work."

Ed Kemplinski
Bus Driver
Edmonton Transit

PAPER FILES MOVE OUT, OUTSIDE OPINION MOVES IN

SHARPENING PERSPECTIVES ON PEOPLE

Improving service is one thing; creating an environment in which clients feel comfortable is another. The exercise demands dedication to the intangibles of administration that can rarely be measured.

RESEARCH

Clients discuss policies: A series of 10 meetings was held around the province to obtain input from clients on major policy issues before being implemented. Some 200 individuals were involved, and included employers, labor representatives, employees and injured workers. The results were very positive, and the practice will be expanded.

Service objectives: A cyclical survey program was introduced to update data for measuring client satisfaction. The data will be used to adjust service objectives.

Employer opinions: The Assessment department started a random quarterly survey of employers to rate their satisfaction with WCB service.

4,500 research contacts: In the various research projects conducted in 1991, contact was made with some 4,500 people outside the WCB. They included injured workers, as well as workers in industries covered by the WCB who have never made a claim; employers from a variety of small to large firms; representatives of unions and public institutions; and health-care professionals such as physicians, chiropractors and physiotherapists.

SYSTEMS

Replacing paper: The WCB took long strides toward achieving a major goal: replacing slow-moving paper files with immediate electronic information, making the files available to more than one individual at the same time. By the end of the year almost one million documents for use in the imaging process had been stored in computers.

Regional links: On December 15, a Network Control Centre went into operation. Manned 24 hours a day, the Centre facilitates and monitors the electronic flow of data between Edmonton and the Regional offices. Also, it maintains the banks of electronic client files needed to service the more than 25,000 active cases being handled at any one time by the WCB's staff.

COMMUNICATION

Improved standards: The scope of a program designed for new employees was expanded. The goal is to improve communication standards between staff, injured workers and employers.

Service quality: The WCB held its first-ever employee conference. Its substance was a thorough review of the elements that advance the corporation toward its prime objective: service excellence.

WCB EDMONTON OFFICES

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REACH CENTRE

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381-5339

MEDICINE HAT OFFICE
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529-3624

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5010 - 43 Street
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MANAGEMENT COMMENTARY ON THE FINANCIAL STATEMENTS FOR 1991

RESULTS OF OPERATIONS

As a result of the rising cost of accidents and the effect the economy has had on assessment revenue, The Workers' Compensation Board has been faced with a deterioration in its funded position which is now at 75.7%. This is a matter of concern to The Workers' Compensation Board and is being addressed through several initiatives while continuing to ensure we achieve the corporate mission, goals and principles of service.

Total revenue increased by $4.6 million or 0.8% from last year. Assessment revenue from industry reached $418.0 million for 1991 which is virtually level with 1990 assessment revenue. The average actual assessment rate has dropped slightly as shown in the table below and assessable payroll has only grown by 2.3%.

Total expenditures increased by $136.0 million or 23.7% primarily as a result of the higher than anticipated costs associated with prior years' accidents.

Actual Compared to Average Required Assessment Rates Per $100 Assessable Payroll

Year	Average Actual Assessment Rate	Average Rate Required for Full Funding	Difference
1991	1.85	2.08	0.23
1990	1.86	2.16	0.30
1989	1.75	1.98	0.23
1988	1.58	1.76	0.18
1987	1.56	1.83	0.27
Average	1.72	1.96	0.24

INVESTMENT ACTIVITIES

Net investment income increased to $151.8 million, an increase of $5.8 million or 4.0% over 1990. Assets held to meet future benefit obligations for past accidents reached $1,737.8 million, an increase of 7.3%. These assets were invested through the Provincial Treasurer in accordance with the provisions of Section 86(1) of the Workers' Compensation Act. The average return on investments during 1991 decreased to 9.5% from 9.7% in 1990. However, this is felt to be a short-term trend and is influenced by economic factors.

There has been a reallocation of investments from fixed income instruments into equities and real estate in 1991. This will continue to be analyzed and actions taken to ensure the proper asset mix exists which optimizes the return.

ACTUARIAL LIABILITIES

Estimated claim liabilities of the corporation rose to $2,410.1 million, an increase of 8.8%. Management, in estimating future obligations for past accidents, continues with actuarial assumptions based on the ability to obtain a real (after inflation) rate of return on investments of 3.33% per annum.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Management of The Workers' Compensation Board is responsible for the preparation, integrity and objectivity of the financial statements and related information in this annual report. The financial statements have been approved by the Board of Directors.

Preparation of financial information contained in this annual report necessarily includes estimates and judgements based on careful consideration of information available to management.

Management develops and maintains a system of internal controls to provide reasonable assurance as to the reliability of financial information and the safeguarding of assets. An effective system of internal controls is accomplished through careful selection of employees, segregation of responsibilities and application of sound financial control practices.

The Auditor General of the Province of Alberta is the auditor of The Workers' Compensation Board in accordance with Section 87(1) of the Workers' Compensation Act. The auditor determines the audit scope, conducts appropriate tests of accounting records and obtains sufficient evidence to provide reasonable assurance the financial statements present fairly the financial position of The Workers' Compensation Board on a basis consistent with that of the preceding year.

TPF&C Limited, an independent firm of consulting actuaries, has been engaged to provide an opinion on the adequacy and appropriateness of the actuarial valuation of claim liabilities of The Workers' Compensation Board. The valuation of claim liabilities conforms to the recommendations of the Canadian Institute of Actuaries.

Management of The Workers' Compensation Board believes that the system of internal controls and approved policies, practices and procedures provide reasonable assurance that operations conform to a high standard of business conduct.

KENNETH C. PALS
President and
Chief Executive Officer

WILLIAM E. McDONALD
Vice President,
Corporate Resources

AUDITOR'S REPORT

ALBERTA LEGISLATURE

OFFICE OF THE AUDITOR GENERAL

TO THE DIRECTORS OF THE WORKERS' COMPENSATION BOARD

I have audited the balance sheet of The Workers' Compensation Board as at December 31, 1991 and the statements of operations and fund balance and changes in financial position for the year then ended. These financial statements are the responsibility of the Board's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at December 31, 1991 and the results of its operations and the changes in its financial position for the year then ended in accordance with the disclosed basis of accounting as described in Note 2 to the financial statements.

Donald D. Salmon

FCA
Auditor General

Edmonton, Alberta
April 8, 1992

ACTUARIAL OPINION

TPF&C

a Towers Perrin company

TO THE BOARD OF DIRECTORS OF THE WORKERS' COMPENSATION BOARD – ALBERTA

We have made the valuation of the liability for claim benefits of The Workers' Compensation Board for its Balance Sheet as at December 31, 1991, for the year then ended. The valuation conforms to the provisions of the Workers' Compensation Act in effect at December 31, 1991, including provision for inflationary adjustments to claims incurred as of the valuation date.

In our opinion,

1. the valuation conforms to generally accepted actuarial principles;
2. the liability for claim benefits ($2,410,100,000), composed of the pension liability ($1,049,200,000) and the unfinalled claim liability ($1,360,900,000), makes proper provision for the future payments for which the Accident Fund is financially responsible under the Workers' Compensation Act; and
3. a proper charge on account of the liability has been made in the Statement of Operations and Fund Balance.

TPF&C Limited

Tony Williams

TONY C.L. WILLIAMS, F.C.I.A.

James H Murta

JAMES H. MURTA, F.C.I.A.

Calgary, Alberta

March 26, 1992

BALANCE SHEET

AS AT DECEMBER 31, 1991
(in thousands of dollars)

	1991	1990
ASSETS		
Cash	$ 29,784	$ 50,507
Investments (Schedule 1)	1,737,751	1,620,057
Other assets (Note 3)	106,237	129,008
	$1,873,772	$1,799,572
LIABILITIES AND FUND BALANCE		
Liability for claim benefits (Note 4)	$2,410,100	$2,214,500
Other liabilities (Note 5)	64,863	54,908
Fund balance (deficit)	(601,191)	(469,836)
	$1,873,772	$1,799,572

The accompanying notes and schedules are part of these financial statements.

On behalf of the Board of Directors:

VERN MILLARD, Director

KENNETH C. PALS, Director

STATEMENT OF OPERATIONS AND FUND BALANCE

FOR THE YEAR ENDED DECEMBER 31, 1991
(in thousands of dollars)

	1991 Total	1990 Total
REVENUE		
Assessments	$ 427,863	$ 425,861
Investment income (Note 6)	151,755	145,960
Province of Alberta	—	3,231
	579,618	575,052
EXPENDITURES		
Claim costs	414,179	360,250
Provision for future cost of claims	188,030	118,100
Total cost of claim benefits (Note 7)	602,209	478,350
Administrative and other expenses (Schedule 2)	108,764	96,574
	710,973	574,924
OPERATING SURPLUS (DEFICIT) BEFORE EXTRAORDINARY ITEM	(131,355)	128
Extraordinary item	—	(165,750)
OPERATING SURPLUS (DEFICIT)	(131,355)	(165,622)
Fund balance at beginning of year	(469,836)	(304,214)
FUND BALANCE AT END OF YEAR	$ (601,191)	$ (469,836)

STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE YEAR ENDED DECEMBER 31, 1991
(in thousands of dollars)

	1991	1990
OPERATING ACTIVITIES		
Operating surplus (deficit)	$(131,355)	$(165,622)
Items not requiring cash:		
Provision for future cost of claims	188,030	118,100
Pension awards	129,573	116,618
Assumption of pre-1974 pension liability	—	206,900
Depreciation and amortization	10,562	7,366
Amortization, gains and losses on investments, net	(35,241)	(23,166)
Changes in other assets, net	32,337	(37,990)
	193,906	222,206
Deduct: Pension payments	122,003	118,418
Cash provided from operating activities	71,903	103,788
INVESTING ACTIVITIES		
Purchase of investments, net	(72,794)	(66,951)
Purchase of capital assets, net	(19,832)	(22,308)
Cash obtained from (applied to) investing activities	(92,626)	(89,259)
INCREASE (DECREASE) IN CASH	(20,723)	14,529
Cash at beginning of year	50,507	35,978
CASH AT END OF YEAR	$ 29,784	$ 50,507

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 1991

1 AUTHORITY

The Workers' Compensation Board operates under the authority of the Workers' Compensation Act, Statutes of Alberta 1981, Chapter W-16, as amended.

2 SIGNIFICANT ACCOUNTING POLICIES

a) Investments – The following generally accepted accounting policies for life and health insurers are considered by the Board to be the most appropriate:

Equities which include common and preferred shares, warrants and pooled equity units and real estate are recorded at moving average market value. Equities and real estate and investment income are adjusted for unrealized gains and losses at a rate of 15% per annum, on a diminishing balance basis. Realized gains and losses arising from the sale of equities and real estate are deferred and amortized to investment income at 15% per annum, on a diminishing balance basis.

Fixed term investments, which include bonds and mortgages, are recorded at amortized cost. Gains and losses realized upon the sale of fixed term investments are deferred and amortized to investment income over the remaining term to maturity of the investment sold.

Term deposits consist of certificates of deposit, guaranteed investment certificates, treasury bills and promissory notes.

b) Translation of Foreign Currency – Assets and liabilities denominated in foreign currency are translated into Canadian dollars at the exchange rate prevailing on the balance sheet date, except for fixed term investments which are recorded at the exchange rates prevailing at date of purchase.

c) Cash – Included in cash are deposits in the Consolidated Cash Investment Trust Fund of the Province of Alberta.

d) Depreciation and Amortization of Capital Assets – Capital assets are recorded at cost. Depreciation and amortization of capital assets is recorded as follows:

Buildings		2½% straight line
Equipment	Data processing	35% diminishing balance
	Other	15% diminishing balance
Automobiles		20% straight line
Leasehold improvements		straight line over their expected useful life
Data processing software		straight line over their expected useful life

e) Actuarial Liabilities – Actuarial liabilities are the estimated present value amounts required to meet the future cost of claims in respect of current and prior years' accidents. The liability estimates are reviewed annually by an independent consulting actuary.

3 OTHER ASSETS

	1991	1990
	(in thousands of dollars)	
Assessments and other receivables	$ 20,925	$ 39,947
Due from Province of Alberta	19,175	30,940
Capital assets	35,913	26,644
Accrued interest	20,147	21,195
Deferred expenses	10,077	10,282
	$ 106,237	$ 129,008

4 LIABILITY FOR CLAIM BENEFITS

	1991	1990
	(in thousands of dollars)	
Pension liability	$1,049,200	$1,017,900
Unfinalled claim liability	1,360,900	1,196,600
	$2,410,100	$2,214,500

Included in the liability for unfinalled claims is the liability for enhanced disabilities relating to pre-existing conditions of injured workers in the amount of $511,200,000 (1990 – $437,700,000).

Based on recommendations resulting from a recently completed review of mortality rates by an independent consulting actuary, mortality assumptions were revised. As a result, the recorded liability for claim benefits as at December 31, 1991 and the operating deficit for the year then ended are $53,000,000 lower than the amounts which would have been recorded using the previous mortality assumptions.

5 OTHER LIABILITIES

	1991	1990
	(in thousands of dollars)	
Deferred revenue	$ 53,192	$ 44,150
Accounts payable	11,671	10,758
	$ 64,863	$ 54,908

6 INVESTMENT INCOME

	1991	1990
	(in thousands of dollars)	
Interest and dividends	$ 134,718	$ 143,822
Amortization of net gains on investments	20,714	7,881
Write-down of investments	(3,677)	(5,743)
	$ 151,755	$ 145,960

7 TOTAL COST OF CLAIM BENEFITS

	1991	Prior Years	1991 Total	1990 Total
		(in thousands of dollars)		
CLAIM COSTS				
Compensation	$ 59,503	$104,960	$164,463	$145,222
Vocational rehabilitation	2,223	37,163	39,386	29,700
Medical aid	27,464	55,232	82,696	70,043
Pension awards net of recoveries	9,749	117,885	127,634	115,285
	98,939	315,240	414,179	360,250
PROVISION FOR FUTURE COST OF CLAIMS:				
Unfinalled claims:				
Provision for future cost of current year claims	277,300	—	277,300	251,741
Adjustment to liability for prior years' claims	—	194,177	194,177	87,287
Deduct: claim costs charged to the liability	—	(307,177)	(307,177)	(249,828)
Increase in unfinalled claim liability	277,300	(113,000)	164,300	89,200
Increase in pension liability for previously capitalized pensions	—	23,730	23,730	28,900
	277,300	(89,270)	188,030	118,100
TOTAL COST OF CLAIM BENEFITS	$376,239	$225,970	$602,209	$478,350

Medical aid includes reimbursements to the Alberta Health Care Insurance Fund for payment of basic health services provided to injured workers in the amount of $11,551,000 (1990 – $15,288,000). Also included are charges in the amount of $13,031,000 (1990 – $10,323,000) for medical services and treatment of injured workers at The Workers' Compensation Board's Rehabilitation Centre.

8 OCCUPATIONAL HEALTH AND SAFETY

The Workers' Compensation Board reimburses the Provincial Treasurer a portion of the costs of administering the Occupational Health and Safety Act.

9 SAFETY ASSOCIATION AND RESEARCH GRANTS

Grants are provided to employer groups and researchers to assist and study means of improving the workplace and minimizing the effects of work-related injuries.

10 SELF-INSURERS

At December 31, 1991, the financial statements include the following related to self-insured employers:

	1991	1990
	(in thousands of dollars)	
REVENUE		
Assessment	$ 9,894	$ 8,890
EXPENDITURES		
Claim benefits	$ 9,090	$ 8,232
Deduct: charged to liability for claim benefits	270	187
	8,820	8,045
Administrative expenses	1,074	845
	$ 9,894	$ 8,890

11 OBLIGATIONS UNDER LEASES

While there are no leases classified as capital, a number of operating leases exist for computer equipment and office space. The following is a schedule of future lease payments for the upcoming five-year period:

1992	$5,273,000
1993	$3,670,000
1994	$3,544,000
1995	$1,698,000
1996	$ 607,000

12 COMPARATIVE FIGURES

The 1990 figures are reclassified where necessary to conform to 1991 presentation. Previously, equities were stated at cost and market-related adjustments for equities were included in deferred charges. If the market-related adjustments had been included in equities, then equities would have been stated at moving average market value. Effective January 1, 1991, the market-related adjustments were reclassified to equities. This reclassification has no effect on the statement of operations and fund balance.

SCHEDULE 1

SCHEDULE OF INVESTMENTS

AS AT DECEMBER 31, 1991
(in thousands of dollars)

	1991		1990	
	Book Value	Market Value	Book Value	Market Value
BONDS				
Government of Canada and Provincial guaranteed	$ 775,280	$ 834,946	$ 708,958	$ 705,894
Corporate and other	92,694	98,197	81,985	80,201
	867,974	933,143	790,943	786,095
MORTGAGES				
N.H.A. guaranteed	38,850	42,262	40,452	41,726
Commercial	52,113	58,351	53,577	55,220
	90,963	100,613	94,029	96,946
REAL ESTATE	70,072	76,298	65,009	77,349
EQUITIES	704,242	780,661	491,317	492,086
TERM DEPOSITS	4,500	4,540	178,759	176,058
	$1,737,751	$1,895,255	$1,620,057	$1,628,534

SCHEDULE 2

SCHEDULE OF ADMINISTRATIVE AND OTHER EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 1991
(in thousands of dollars)

	1991	1990
ADMINISTRATIVE		
Salaries and benefits	$ 61,675	$ 58,787
Buildings and equipment	16,926	16,554
Professional fees	15,862	10,529
Depreciation and amortization	10,562	7,366
Staff related costs	3,188	3,027
Other administrative costs	1,082	1,159
	109,295	97,422
Deduct:		
Charged to medical aid claim costs	13,031	10,323
Miscellaneous revenue	1,055	1,107
	95,209	85,992
GENERAL	3,698	2,062
OCCUPATIONAL HEALTH AND SAFETY (Note 8)	5,870	6,030
SAFETY ASSOCIATION AND RESEARCH GRANTS (Note 9)	3,987	2,490
	$108,764	$ 96,574

FINANCIAL STATEMENTS

1991